



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

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## Peru

## Grain and Feed

## Rice Update

## 2004

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**Report Highlights:**

Rice production in CY 2004 is expected to fall 25 percent to 1.2 MMT. This reduction is caused by the severe drought that is currently affecting Peru. Rice imports for CY 2004 are now estimated at 80,000 MT. While not as high as originally forecasted, still providing opportunity for U.S. exporters to re-enter the market.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
Lima [PE1]  
[PE]

<b>PSD Table</b>							
<b>Country</b>	<b>Peru</b>						
<b>Commodity</b>	<b>Rice, Milled</b>				(1000 HA)(1000 MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
<b>Market Year Begin</b>		01/2003		01/2004		01/2005	MM/YYYY
Area Harvested	317	326	326	280	240	290	(1000 HA)
Beginning Stocks	243	98	222	77	429	5	(1000 MT)
Milled Production	1482	1597	1597	1200	1150	1300	(1000 MT)
Rough Production	2148	2314	2314	1739	1667	1884	(1000 MT)
MILLING RATE (.9999)	6900	6900	6900	6900	6900	6900	(1000 MT)
TOTAL Imports	32	15	150	80	100	70	(1000 MT)
Jan-Dec Imports	32	15	150	80	100	70	(1000 MT)
Jan-Dec Import U.S.	22	1	0	15	0	15	(1000 MT)
TOTAL SUPPLY	1757	1710	1969	1357	1679	1375	(1000 MT)
TOTAL Exports	10	135	5	2	5	5	(1000 MT)
Jan-Dec Exports	10	135	5	2	5	5	(1000 MT)
TOTAL Dom. Consumption	1525	1498	1535	1350	1545	1350	(1000 MT)
Ending Stocks	222	77	429	5	129	20	(1000 MT)
TOTAL DISTRIBUTION	1757	1710	1969	1357	1679	1375	(1000 MT)

## Summary

Though the severe drought that is affecting Peru will result in less rice production, the reduction will not be as dramatic as foreseen due to planting in new areas. Post has revised rice production in CY 2004 to 1.2 MMT, a 25 percent reduction compared to CY 2003. The harvested area for the 2004 crop was 280,000 hectares, 14 percent less than the harvested area in CY 2003. The reduction in harvested area is the result of two factors, less area planted, and the lack of water affecting the crop when it was already on the ground.

Rice imports in CY 2004 are now estimated around 80,000 MT. As a result of the government's efforts to overcome rice shortage, it encouraged rice production in the oriental slopes of the Andes, especially in the department of San Martin. Rice production in this area grew 35 percent.

Prices in San Martin have increased from \$132 to \$271 per metric ton. Rice has become the most important economic activity in this area, there is almost no land left idle. The average producer owns three hectares, with production costs at about one thousand dollars per metric ton, and yields around seven metric tons per hectare; a producer makes a profit of \$2,700 in five months, which is a considerable amount taking into consideration that minimum wage is \$140 monthly.

Rice production in the northern coastal region fell 85 percent in CY 2004 due to the drought. Since CY 2005 is forecast as another dry year, a bumper rice crop is forecast in the San Martin area. The lack of rice production in the northern coast has reduced smuggling of rice into Ecuador CY 2004.

Peru's record imports were in 1996 when imported 430,000 MT. Uruguay and the U.S. have usually shared the Peruvian rice market. Since 1997, Peru's rice production began increasing rather rapidly causing imports to fall as low as 15,000 MT in 2003. U.S. rice exports to Peru also shrunk in the last six years to a point that they became almost non-existent in 2003, leaving the market exclusively to Uruguay. Most imported rice in Peru is targeted to the high-end market and sold packed in one-kilogram bags. In this sector, U.S. rice has usually been very competitive both in quality and price.

Imports for the last quarter of CY 2004 are estimated to increase significantly, totaling about 80,000 MT for the year, of which about 15,000 MT should be U.S. Peru is forecast to import around 70,000 MT of rice in CY 2005, which is a good opportunity for U.S. rice to recapture its market